

IDB PAYMENT-IN-LIEU-OF-TAX (PILOT) PROJECT SUMMARY
ELECTROLUX HOME PRODUCTS, INC
JANUARY 12, 2011

A. PILOT RECOMMENDATION: Fifteen-year PILOT agreement on Real and Tangible Personal Property involved in the project.

B. PROJECT DESCRIPTION:

Electrolux Home Products is a Delaware Corporation, which is registered to do business in the State of Tennessee. They are internationally recognized leaders in the manufacture, distribution and sale of household and professional appliances.

The project is intended for the manufacture of "high-end" consumer appliances, and will serve to consolidate within Tennessee certain existing North American manufacturing facilities. This project is also anticipated to include a future distribution center.

In addition to the 1,240 jobs, the applicant intends to directly create at its manufacturing facility, it is also anticipated that their vendors will locate facilities in immediate proximity in order to serve Electrolux's on-going needs for ancillary goods and services.

C. PILOT EVALUATION:

1. JOB CREATION

POINTS AWARDED: 129

New Job Creation	1,240
Existing Employment Base (Not considered for points)	<u>0</u>
Total	1,240

2. WAGES

POINTS AWARDED: 13

Electrolux's annual average wage for this project is \$30,472, which is 83% of Shelby County's current targeted wage of \$36,815.

3. CAPITAL INVESTMENT

POINTS AWARDED: 195

Real Property Improvements	\$69,000,000
Personal Property	\$126,000,000
Total Capital Investment	\$195,000,000

10

347

20

367

Annual Impact of Operations	New Employment
Employment, Direct (New full-time equivalent jobs)	1,240
Wages & Benefits, Direct	\$ 47,609,453
Employment Multiplier ¹	2.3196
Total Employment	2,876
Employment, Indirect	1,636
Shelby County Annual Average Wage ²	\$ 49,087
Wages, Indirect	\$ 80,321,254
Total Wages	\$ 127,930,707
Sales Tax Revenue ³	\$ 1,442,099
Other Tax Revenue ⁴	\$ 416,767
Residential/Commercial Property Tax Revenue ⁵	\$ 2,245,305
Total Tax Revenue	\$ 4,104,171

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E. ECONOMIC IMPACT OF NEW CAPITAL INVESTMENT:

One Time Expansion Impact

Total Capital Investment Considered for One-Time Impact	\$	200,000,000
Building & Site- Real Property (Includes \$5 million infrastructure)	\$	74,000,000
Economic Impact Multiplier ⁶		1.9126
Economic Impact	\$	141,532,400
Equipment Purchase/Set-up - Personal Property	\$	126,000,000
Economic Impact Multiplier ⁷		1.7410
Economic Impact	\$	219,366,000
Total Economic Impact	\$	360,898,400
Sales Tax Revenue ³	\$	1,813,727
Other Tax Revenue ⁴	\$	524,167
Total Tax Revenue	\$	2,337,894

F. PILOT BENEFITS/TAXES ABATED

Property Tax Abated	Memphis 90%	Shelby County 75%	Total
Real Property	\$13,287,721	\$13,929,300	\$27,217,021
Personal Property	\$5,642,449	\$5,914,887	\$11,557,336
Total	\$18,930,170	\$19,844,187	\$38,774,357

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G. BENEFIT/COST RATIO

LOCAL AGREEMENT	TAXES ABATED & HARD COSTS CONTRIBUTED	TAX REVENUE From Operations and Construction	BENEFIT/COST RATIO (Memphis & Shelby County)
15 Years: 25% Shelby County Taxes 10% City of Memphis Taxes \$8 million land value \$40 million general obligation bonds from City of Memphis & Shelby County at 3% for 20 yrs	\$100,546,923	\$106,979,102	1.06:1

H. BOARD FEES:

Application Fee (Graduated Scale)	\$ 4,000
Closing Fees (5% of Total Taxes Forgone) (Maximum of \$300,000) (Less Application Fee)	\$ 296,000
City of Memphis Personal Property Fees for PILOT (5% of Taxes Abated) (Maximum \$50,000)	\$ 50,000
Shelby County Personal Property Fees for PILOT (5% of Taxes Abated) (Maximum \$50,000)	\$ 50,000
Total Fees	\$ 400,000

Notes for Electrolux Project:

1. U.S. Bureau of Economic Analysis, RIMS II, aggregate direct effect employment multiplier for Shelby County, Tennessee: number of indirect jobs created per direct job multiplier – electrical equipment and appliance manufacturing.
2. Projection based upon data from Tennessee Department of Labor; Annual Average Wage/Salary in Shelby County, 2009 based upon an assumption of 3.5% average wage increase for 2010.
3. U.S. Department of Labor, "Consumer Expenditure Survey, Southern US" 2009; factor applied to determine the rate of indirect or "downstream" expenditures on sales and taxable goods and services at the local option tax rate of .0225. It is assumed all purchases associated with construction and equipment will be sales tax exempt.
4. Based upon July 2009 - June 2010 collections of Business, Alcohol, Motor Vehicle and other taxes compared to sales tax.
5. Property taxes on new property value created within Shelby County per each new job created in the local workforce based upon historical trend. The new property value may be new single family homes, new rental property, expansions or improvements to existing residential or commercial property. Although commercial property value is included, the residential rate of assessment is used as a conservative measure. The assessment rate of 25% and a combined City of Memphis (\$3.1957) and Shelby County (\$4.02) tax rate of \$7.2157 per \$100 of assessed value is used.
6. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate multiplier for new construction for Shelby County, Tennessee.
7. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate multiplier for wholesale trade for Shelby County, Tennessee.

*All calculations are in constant 2010 dollars. No tax rate increases are assumed.

Company/Applicant: Electrolux

Project Description: **Electrolux Operation Only**
Heavy appliance manufacturer locating in Shelby County
-1,240 jobs
-\$195 million total capital investment (\$126 million personal property, \$69 million building)
-\$8 million land value
-\$40 million in genral obligation bonds from city/county at 3% for 20 years

Capital Investment: \$ 195,000,000

Jobs: 1,240

Annual Average Wage: \$ 30,472

Recommended PILOT Length: 15 Years

Tax Incentive: \$ 38,774,357

Local Tax Benefit: \$ 105,319,523

Benefit/Cost Ratio: 1.05

Tax Incentive Eligibility Analysis

Category	Project Data	Points
Job Creation	1240	129
Wages	\$30,472	10
Capital Investment	\$195,000,000	195
CRC		0
Location	PIP	10
Total		344
Special Circumstances	Not to exceed 25% of Total Points (86 pts)	20
Grand Total		364

Length of tax incentive:

15+

*Wages Calculation

Target Wages: 2010

(75% of \$ 49,807 Annual Average Wage)	\$	36,815
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Project Wages	\$	30,472
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Project wages as a % of Target Wages	83
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Meets Target Wages	10
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Extra Points

Total Points	10
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Special Circumstances:

Points

Targeted Industry (Mfg)	5
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Headquarters	5
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Fortune 500/Industry Leader	5
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Major Employer	5
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Minority/Women-Owned Business	0
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Benefit to Cost Ratio Bonus	0
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Total	<u>20</u>
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City of Memphis, Shelby County, Tennessee
Electrolux
Economic Impact and Benefit/Cost Analysis

Annual Impact of Operations		New Employment
Employment, Direct (New full-time equivalent jobs)		1,240
Wages & Benefits, Direct	\$	47,609,453
Employment Multiplier ¹		2.3196
Total Employment		2,876
Employment, Indirect		1,636
Shelby County Annual Average Wage ²	\$	49,087
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Total Wages	\$	127,930,707
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Other Tax Revenue ⁴	\$	416,767
Residential/Commercial Property Tax Revenue ⁵	\$	2,245,305
Total Tax Revenue	\$	4,104,171

City of Memphis, Shelby County, Tennessee
Electrolux
Economic Impact and Benefit/Cost Analysis

One Time Expansion Impact

Total Capital Investment Considered for One-Time Impact	\$	63,000,000
Building - Real Property	\$	-
Economic Impact Multiplier ⁶		1.9126
Economic Impact	\$	-
Equipment Purchase/Set-up - Personal Property	\$	63,000,000
Economic Impact Multiplier ⁷		1.7410
Economic Impact	\$	109,683,000
Total Economic Impact	\$	109,683,000
Sales Tax Revenue ³	\$	526,234
Other Tax Revenue ⁴	\$	152,082
Total Tax Revenue	\$	678,316

Shelby County, Tennessee **Electrolux** **Tax Schedule**

Real Property (Land & Bldg)					Personal Property				
Shelby County Tax Rate: \$4.02	Full Taxes	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Value	\$ 77,000,000				\$ 126,000,000				
Year 1	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 1,337,213	0.88	25%	\$ 334,303	\$ 1,002,910
Year 2	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 1,139,670	0.75	25%	\$ 284,918	\$ 854,753
Year 3	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 957,323	0.63	25%	\$ 239,331	\$ 717,992
Year 4	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 759,780	0.50	25%	\$ 189,945	\$ 569,835
Year 5	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 577,433	0.38	25%	\$ 144,358	\$ 433,075
Year 6	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 379,890	0.25	25%	\$ 94,973	\$ 284,918
Year 7	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 8	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 9	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 10	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 11	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 12	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 13	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 14	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 15	\$ 1,238,160	25%	\$ 309,540	\$ 928,620	\$ 303,912	0.20	25%	\$ 75,978	\$ 227,934
Year 16	\$ 1,238,160	100%	\$ 1,238,160	\$ -	\$ 303,912	0.20	100%	\$ 303,912	\$ -
Year 17	\$ 1,238,160	100%	\$ 1,238,160	\$ -	\$ 303,912	0.20	100%	\$ 303,912	\$ -
Year 18	\$ 1,238,160	100%	\$ 1,238,160	\$ -	\$ 303,912	0.20	100%	\$ 303,912	\$ -
Year 19	\$ 1,238,160	100%	\$ 1,238,160	\$ -	\$ 303,912	0.20	100%	\$ 303,912	\$ -
Year 20	\$ 1,238,160	100%	\$ 1,238,160	\$ -	\$ 303,912	0.20	100%	\$ 303,912	\$ -
Total	\$ 24,763,200		\$ 10,833,900	\$ 13,929,300	\$ 9,406,076			\$ 3,491,189	\$ 5,914,887

City of Memphis, Tennessee **Electrolux** **Tax Schedule**

Real Property (Land & Bldg)					Personal Property				
City of Memphis Tax Rate: \$3.1957	Full Taxes	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
Value	\$ 77,000,000				\$ 126,000,000				
Year 1	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 1,063,018	0.88	10%	\$ 106,302	\$ 956,716
Year 2	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 905,981	0.75	10%	\$ 90,598	\$ 815,383
Year 3	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 761,024	0.63	10%	\$ 76,102	\$ 684,922
Year 4	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 603,987	0.50	10%	\$ 60,399	\$ 543,589
Year 5	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 459,030	0.38	10%	\$ 45,903	\$ 413,127
Year 6	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 301,994	0.25	10%	\$ 30,199	\$ 271,794
Year 7	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 8	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 9	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 10	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 11	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 12	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 13	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 14	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 15	\$ 984,276	10%	\$ 98,428	\$ 885,848	\$ 241,595	0.20	10%	\$ 24,159	\$ 217,435
Year 16	\$ 984,276	100%	\$ 984,276	-	\$ 241,595	0.20	100%	\$ 241,595	-
Year 17	\$ 984,276	100%	\$ 984,276	-	\$ 241,595	0.20	100%	\$ 241,595	-
Year 18	\$ 984,276	100%	\$ 984,276	-	\$ 241,595	0.20	100%	\$ 241,595	-
Year 19	\$ 984,276	100%	\$ 984,276	-	\$ 241,595	0.20	100%	\$ 241,595	-
Year 20	\$ 984,276	100%	\$ 984,276	-	\$ 241,595	0.20	100%	\$ 241,595	-
Total	\$ 19,685,512		\$ 6,397,791	\$ 13,287,721	\$ 7,477,363			\$ 1,834,913	\$ 5,642,449

Total Taxes Abated: \$ 38,774,357

Payments Made in Lieu of Taxes: \$ 22,557,794

City of Memphis, Shelby County, Tennessee
Electrolux
Economic Impact and Benefit/Cost Analysis

Payback Summary

15-Year PILOT Term, 20 Year Project Life

Total Taxes Forgone	\$	38,774,357
Hard Cost (Land Value)	\$	8,000,000
Hard Costs (Building & Interest)	\$	53,772,566
Total Taxes Forgone and Hard Costs	\$	100,546,923
Tax Revenues From Set-Up	\$	678,316
Tax Revenues From Operations During PILOT Period	\$	82,083,414
Payments Received in Lieu of Tax	\$	22,557,794
Total Tax Revenues Received During PILOT Period	\$	105,319,523
Benefit/Cost Ratio		1.05

Annual Tax Revenue from Operations	\$	4,104,171
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Benefit/Cost Ratio: The sum of tax revenues from construction, operations and property during the PILOT period divided by the total taxes forgone and hard costs.
